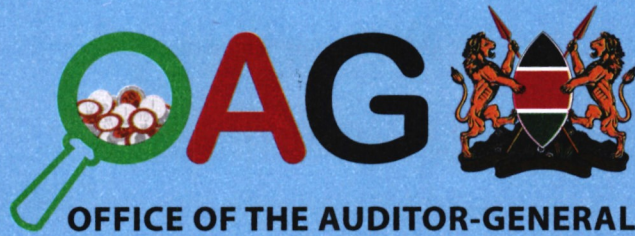


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SUPPORT TO WATER AND SANITATION  
SERVICES IN PERI-URBAN AREA (LOAN NO.  
BMZ 2013.6543.6)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**ATHI WATER WORKS DEVELOPMENT  
AGENCY**

PARLIAMENT  
OF KENYA  
LIBRARY

DATE: 07 DEC 2023  
FILED BY: Hon Owen Bwalya BBS, MP  
Deputy majority leader  
mwanam





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
**10 NOV 2023**  
**RECEIVED**

**PROJECT NAME: SUPPORT TO WATER AND SANITATION SERVICES IN PERI-URBAN  
AREA**

**[FUNDED BY FEDERAL REPUBLIC OF GERMANY]**

**IMPLEMENTING ENTITY: ATHI WATER WORKS DEVELOPMENT AGENCY**

**LOAN NUMBER: BMZ NO.2013.6543.6**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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**Prepared in accordance with the Cash Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)**

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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## Table of Contents

1. Acronyms and Glossary of Terms.....	iv
2. Project Information and Overall Performance.....	v
3. Statement of Performance against Project Predetermined Objectives .....	xiii
4. Environmental and Sustainability reporting.....	xiv
5. Statement of Project Management responsibilities .....	xxv
6. Report of the Auditor General on Support to Water and Sanitation Services in Peri-Urban Area. ...	xxvii
7. Statement of Receipts and Payments for the year ended 30 <sup>th</sup> June 2023 .....	1
8. Statement of Financial Assets as at 30 <sup>th</sup> June, 2023 .....	2
9. Statement of Cashflow for the year ended 30 <sup>th</sup> June 2023 .....	3
10. Statement of Comparison of Budget and Actual amounts for the year ended 30 <sup>th</sup> June 2023 .....	4
11. Significant Accounting Policies .....	5
12. Notes to the Financial Statements .....	12
13. Annexes .....	19

**1. Acronyms and Glossary of Terms**

AWWDA	Athi Water Works Development Agency
CBK	Central Bank of Kenya
GOK	Government of Kenya
GPO	General Post Office
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MDAs	Ministries, Departments and Agencies
NEMA	National Environmental Management Authority
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
TNT	The National Treasury
Comparative FY	Financial year preceding the current financial year

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

**Name:** The project's official name is Support to Water and Sanitation Services in Peri-Urban Area

**Objective:** The project goal is to provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas

**Address:** The project headquarters offices are in Nairobi, Nairobi County, Kenya

The address of the registered office is:

Athi Water Works Development Agency  
P.O. Box 45283-00100 GPO  
Athi Water Plaza  
Old Muthaiga North Road  
NAIROBI.

**Contacts:** The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: [info@awwda.go.ke](mailto:info@awwda.go.ke)

Website: [www.awwda.go.ke](http://www.awwda.go.ke)

### **2.2 Project Information**

Project Start Date:	The project start date was 28 <sup>th</sup> September, 2015
Original Project End Date:	The project end date is 30 <sup>th</sup> June,2020
Revised project End Date:	The project end date has been revised to 31 <sup>st</sup> December 2023
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsors are the Government of Kenya (GoK) and the Federal Republic of Germany through KfW Development Bank.

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

**2.3 Project Overview**

Line Ministry/State Department of the Project	The project is under the supervision of the Ministry of Water, Sanitation & Irrigation.
Project number	<b>BMZ NO.2013.6543.6</b>
Strategic goal of the project	The strategic goal of the project was to provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas
Achievement of strategic goal	<p>The project management aims to achieve the goals through the following means:</p> <p>The main works components under this component include:</p> <ol style="list-style-type: none"> <li>1. Lot 1-Construction of Greater Githurai/Ruiru-Juja Water Supply Project <ol style="list-style-type: none"> <li><b>a. Water source – Jacaranda Intake:</b> <ol style="list-style-type: none"> <li>i. Removal of existing raw water pumps from PS.</li> <li>ii. Replacement with 4 vertical split case pumps, H=50, Q=583 (2 duty, 2 standby), incl. associated pipework and E&amp;M.</li> </ol> </li> <li><b>b. Raw Water Pumping Main:</b> <ol style="list-style-type: none"> <li>i. Construction of second raw water pumping main parallel to the existing, approx. 1 km long, OD 450 PN 10 HDPE.</li> </ol> </li> <li><b>c. Water treatment - Upgrading Jacaranda WTP from 15,000 m<sup>3</sup>/d to 28,000 m<sup>3</sup>/d by:</b> <ol style="list-style-type: none"> <li>i. Construct 2nd treatment line consisting of: <ol style="list-style-type: none"> <li>ii. Inlet structure</li> <li>iii. 2 No. Flocculation basins</li> <li>iv. 2 No. Sedimentation tanks</li> <li>v. 4 No. Rapid Gravity Sand Filters</li> <li>vi. Gravity Sludge Drying Beds.</li> <li>vii. Replace Elevated Backwash Tank pumps to higher capacity for quicker filling of existing backwash tank</li> <li>viii. Construct additional chemical storage, mixing and dosing building for alum and soda ash dosing</li> </ol> </li> </ol> </li> <li><b>d. Transmission main:</b> <ol style="list-style-type: none"> <li>i. Construction of dedicated 6.8 km DN 1000 steel pipe from Jacaranda Water Treatment plant to Ruiru..</li> <li>ii. Installation of connection piece for future offtake</li> <li>iii. Construction of dedicated 6.1 km DN 800 steel pipe from Ruiru to Githurai (Kahawa Sukari)</li> </ol> </li> <li><b>e. Water distribution:</b></li> </ol> </li> </ol>

- i. Construct 149 km of ring mains and distribution network in Greater Githurai area of Kiuu, Mwiki, Kahawa Wendani and Kahawa Sukari (OD63 to DN800)
- f. **Consumer Connections:**
  - i. Supply and install 73 km OD 20-63 HDPE for 8,400 number consumer connections
- g. **Boreholes:**
  - i. Drilling, development and testing of 10 new boreholes
- h. **Equipment:**
  - i. Supply operation and maintenance equipment

Lot 2 -Construction of Kiserian-Ongata Rongai Water Supply Project

- i. **Boreholes:**
  - i. Rehabilitation of 6 nr existing boreholes.
  - ii. Drilling, development and testing of 10 nr new boreholes
- j. **Construction of raw water pumping mains from boreholes to new storage tanks:**
  - i. HDPE OD90-OD225
- k. **Water Treatment:** Rehabilitation of Mbagathi Water treatment plant, including:
  - i. Improve Chemical dosing and replace gravity dosers
  - ii. Improve Filters (exchange filter material, leaking valves, backwash water recirculation)
  - iii. Replace raw water and clear water pumps
  - iv. Repair backwash tower.
- l. **Transmission main:**
  - i. 9.2 km OD 400/355 HDPE pipe from Western Transmission Main to Gataka for 5,000 m<sup>3</sup>/d bulk supply from Nairobi.
- m. **Construction of new water storage tanks,** including booster pumping stations, chlorination, auxiliary buildings, etc.
  - i. Kiserian School Tank, 800 m<sup>3</sup>
  - ii. Narumoru Tank, 100 m<sup>3</sup>
  - iii. Nkaimurunya Tank, 2,300 m<sup>3</sup>
- n. **Water distribution:**
  - i. Construct 210 km of ring mains and distribution network in Kiserian and Ongata Rongai to replace existing system (OD63 to DN500)

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

	<ul style="list-style-type: none"> <li>o. <b>Consumer Connections:</b> <ul style="list-style-type: none"> <li>i. Supply and install 165 km OD 20-63 HDPE for 8,300 number consumer connections</li> </ul> </li> <li>p. <b>Office Building:</b> <ul style="list-style-type: none"> <li>i. Construction of New main office building for OWSC at Mbagathi tank site</li> </ul> </li> </ul>
Other important background information of the project	<p><u>Project Financing &amp; Components</u></p> <p>The project follows Feasibility Studies that were carried out by m/s H.P. Gauff Ingenieure and prioritized for implementation.</p> <p>The project financing is estimated as Euro (€) 33,100,000.</p>
Project duration	The project started on 28 <sup>th</sup> September 2015; the project close date is 31 <sup>st</sup> December 2023

## **2.4 BANKERS**

The donor funding is through direct payment method.

AWWDA got an approval from the National Treasury to open development fund account for efficient management of all the project's GoK counterpart funds.

The following are the bank details for the GoK Counterpart funds Account:

Athi Water Works Development Agency  
The Co-operative Bank of Kenya  
Account No.01141084618501  
Ridgeways Branch Kiambu Road

Athi Water Works Development Agency  
The Co-operative Bank of Kenya  
Account No.01141084618502  
Ridgeways Branch Kiambu Road

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

**2.5 AUDITORS**

The Office of the Auditor General  
 Kenya National Audit Office  
 Anniversary Towers, University Way  
 P.O. Box 30084-00100  
 NAIROBI.

**2.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key Qualification</b>	<b>Responsibilities</b>
Eng Michael Thuita, MBS	Chief Executive officer	B.Sc. MIEK, P.Eng.	Accounting Officer
Eng Joseph Kamau	Project Coordinator	B.Sc. MIEK, P.Eng.	Project Manager
Eng Bonnie Nyandwaro	Project Engineer	B.Sc. MIEK, P.Eng.	Coordination of the day-to-day activities of the entire program
Eng Kiprono Rop	Project Engineer	B.Sc., M.A, MIEK, P.Eng.	Coordination of the day-to-day activities
Rahab Kingori	Project Engineer	B.Sc, MIEK,	Coordination of the day-to-day activities
Janet Lang'at	Procurement officer	B.B.A, MA, CIPS	Management of the Procurement functions of the program
John Njoroge	Project Accountant	B.A., MBA, CPA-K	Management of the Finance functions of the program

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**2.7 Funding summary**

The Project is for duration of Eight years and 3 months from 28<sup>th</sup> September, 2015 to 31<sup>st</sup> December ,2023 with an approved budget of Euro 33,800,000 equivalent to about Kshs 3,794,690,000 as highlighted in the table below:

**A. SOURCE OF FUNDS**

Source of funds	Donor Commitment-		Amount received to date – (30-06-2023)		Undrawn balance to date (30-06-2023)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
<b>Grant</b>						
KfW-Training Measures	2,300,000	258,290,000	2,078,610	244,314,376	221,390	13,975,624
<b>Loan</b>						
KfW	28,000,000	3,144,400,000	13,801,157	2,065,548,750	14,198,843	1,078,851,250
<b>Counterpart funds</b>						
Government of Kenya	3,500,000	392,000,000	2,953,309	330,770,552	546,691	61,229,448
<b>Total Funding Summary</b>	<b>33,800,000</b>	<b>3,794,690,000</b>	<b>18,833,076</b>	<b>2,640,633,678</b>	<b>14,966,924</b>	<b>1,154,056,322</b>

**B. APPLICATION OF FUNDS**

Application of Funds	Cumulative Amount Paid to date – (30-06-2023)		Amount received to date – (30-06-2023)		Unutilized balance to date (30-06-2023)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
<b>Grant</b>						
KfW-Training Measures	2,078,610	244,314,376	2,078,610	244,314,376	-	-
<b>Loan</b>						
KfW	13,801,157	2,065,548,750	13,801,157	2,065,548,750	-	-
<b>Counterpart funds</b>						
Government of Kenya	2,511,325	281,268,391	2,953,309	330,770,552	441,984	49,502,162
<b>Total Funding Summary</b>	<b>18,391,092</b>	<b>2,591,131,516</b>	<b>18,833,076</b>	<b>2,640,633,678</b>	<b>441,984</b>	<b>49,502,162</b>

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

**2.8 Summary of the overall project performance**

During the year under review, the Project received Kshs. 397,531,563 and incurred expenditure totalling to Kshs. 422,078,996.

Cumulatively as at 30<sup>th</sup> June 2023 the project had received Kshs 2,640,633,678 and incurred expenditure totalling to Kshs. 2,591,131,516.

**Works**

The works component of the project is funded by KfW and The Government of Kenya.

**1. Lot 1- Construction of Greater Githurai/Ruiru-Juja Water Supply Project**

Progress as at 30<sup>th</sup> June 2023 is summarized in the table below

Component	Unit	Total Contract Quantity	Cumulative Executed Quantity	Cumulative Executed in %
			Total	Total
Jacaranda WTP Pumping Station	Item	100%	80%	80%
Jacaranda WTP Civil Works	Item	100%	99.8%	100%
Jacaranda WTP E&M Works	Item	100%	0%	0%
Jacaranda WTP Pumping Line, OD 450	m	1,000	937	94%
Transmission Main Jacaranda - Kahawa Sukari,	m	13,750	13,750	100%
Ring Mains, OD 225 - DN 800	m	10,923	10,166	93%
Distribution System, OD 63 - OD 355	m	126,933	123,607	95%
Consumer Connections	Nr	8,400	0	0%

**Lot 2-Construction of Kiserian-Ongata Rongai Water Supply Project**

Progress as at 30<sup>th</sup> June 2023 is summarised in the table below

Component	Unit	Total Contract Quantity	Cumulative Executed Quantity	Cumulative Executed in %
			Total	Total
Nkaimurunya 2,300 m3 Tank and Compound	Item	100%	97%	97%
Kiserian School 800 m3 Tank and Pump Stn.	Item	100%	97%	97%
Naromoru 100 m3 Tank and Pump Stn.	Item	100%	90%	90%
Head Office for OWSC	Item	100%	98%	98%
Mbagathi & Kiserian WTP Rehabilitation	Item	100%	39%	39%
Transmission Main Karen - Ongata Rongai, OD 355 - OD 400	m	9,220	8,718	96%
Transmission Main Lemelepo - Ongata Rongai,	m	9,118	8,788	96%
Ring Mains, OD 225 - DN 400	m	12,069	12,672	96%
Distribution System, OD 50 - OD 355	m	201,117	191,052	96%
Consumer Connections	Nr	8,300	5,634	68%
Existing Boreholes Reconstruction	Nr	16	16	100%
Existing Boreholes Equipping	Nr	16	4	25%
Boreholes rising main OD63-OD160	m	3,320	2,674	81%

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

Component	Unit	Total Contract Quantity	Cumulative Executed Quantity	Cumulative Executed in %
			Total	Total
Boreholes -Elevated Tank	Nr	5	5	100%
VO 02. Kiserian WTP Rising Main OD 450	m	1,442	1,442	96%
VO 02: Kiserian WTP Surge Vessel	Nr	1	1	100%
Kiserian Head works civil works	Items	100%	26%	26%
Kiserian Head works E&M works	Items	0%	0%	0%
Kiserian Headworks rising main, OD 160-OD 450	m	4,210	3,280	78%
Additional Boreholes: Drill and test	Nr	7	2	29%
Additional Boreholes: Equipping	Nr	7	0	0%
Additional Boreholes: Elevated tanks	Nr	5	0	0%

**Lot 3 Supply and Delivery of Consumer Water Meters**

Supply and Delivery of 16,700 Nr (Sixteen Thousand, Seven Hundred) Consumer Water Meters of the volumetric type (positive displacement meter), R=160, DN15-DN40.

The meters were received by the supplier in Nairobi on 23.05.22 and the required 22 No. meters were sent to KEBs for testing.

The resulting calibration test results were submitted showing the meters have passed the Contract accuracy test requirements, as per ISO 4064 OIML R49. After this the meters were taken over on 22 June, 2022.

**2.9 Summary of the Project compliance:**

The project performed all its activities ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

### 3. Statement of Performance against Project Predetermined Objectives

#### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objective of the project is to provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas

#### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
<b>Construction of Greater Githurai/Ruiru-Juja Water Supply Project</b>	To provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja area	<ul style="list-style-type: none"> <li>Upgrading Jacaranda WTP from 15,000 m<sup>3</sup>/d to 28,000 m<sup>3</sup>/d.</li> <li>Laying of 13 km steel pipe.</li> <li>Laying of 168 km of ring mains and distribution</li> <li>Drilling 10 No of boreholes</li> <li>8,400 number consumer connections.</li> </ul>	% Increase in water coverage in Nairobi.	Works are at <b>81% complete</b>
<b>Construction of Kiserian-Ongata Rongai Water Supply Project.</b>	To provide support to water and sanitation in Nairobi's Peri-urban areas of Ongata Rongai – Kiserian area	<ul style="list-style-type: none"> <li>Rehabilitation measures at Mbagathi WTP:</li> <li>Laying of 220 km of ring mains and distribution network.</li> <li>3No. storage water tank</li> <li>Drilling and equipping of 10No. boreholes</li> <li>8,300 number consumer connections</li> <li>Construction of a new main office building for OWSC at Mbagathi Tank</li> </ul>	% Increase in water coverage in Nairobi.	Works are at <b>86% complete</b>

#### **4. Environmental and Sustainability reporting**

##### **Introduction**

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of the environment on a long-term basis as well acceptable social norms over the long term. It is also defined as the ethical obligation of companies/organizations to protect natural resources, reduce pollution and other forms of environmental harm.

It involves making decisions and taking actions that are in the interest of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life and social wellbeing of communities.

As such, Athi Water Works Development Agency (AWWDA) a state corporation established by the Water Act 2016 under the Ministry of Water, Sanitation and Irrigation covering Nairobi City County, Kiambu County and Murang'a County. Its key responsibility as defined by the Water Act 2016 is to;

- a) Undertake the development, maintenance and management of National Public Waterworks,
- b) Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
- c) Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
- d) Provide technical services and capacity building to such county government and water providers,
- e) Provide to the cabinet secretary technical support in discharging of his or her functions under the Water Act 2016.

In the performance of its mandate, the Agency is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

It is committed to environmental conservation and protection as well as safeguarding the health and safety of workers within its premises, projects and project areas. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the Institution's area of jurisdiction.

##### **4.1 Sustainability strategy and profile**

In performing her mandate, Athi Water is committed to perform ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. AWWDA undertakes to conduct business in a way which will achieve

sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts.

## 4.2 Environmental performance

### Introduction

AWWDA developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWWDA employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter also includes the environmental considerations such as the enforcement of water quality monitoring.

AWWDA subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination (Amendment) Act of 2015. This is done in order to identify both potential positive and negative impacts. The process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards. Some of the environmental and social impact assessment reports prepared, approved and licensed by NEMA within the financial year include:

- Proposed Motoine Trunk Sewer Improvement Project Phase II (NaRSIP II)
- Proposed reticulation sewers for Juja and Thika South area
- Proposed construction of Kabete Water Treatment Plant-Mombasa Road Trunk Distribution Main
- Proposed Construction of Kangema Town Sewerage Project
- Proposed Construction of Kigumo Town Sewerage Project
- Proposed Construction of Kangare Town Sewerage Project

AWWDA has in place an operational Environmental and social safeguards division within the Water and Sanitation department responsible for Environmental and Social compliance and Management. The team comprises of both sociologists and environmentalists. They are tasked with managing the Environmental and social aspects of the organization and community.

### Pollution Prevention and Abatement

AWWDA Complies with various legislations related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules).

Programmes are in place to ensure that all operations are in compliance with these regulations. For instance, water abstraction permitting, effluent discharge planning and licensing, and workplace

certification among others. The following are some of the measures employed by the organization to mitigate pollution

- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.
- Compliance to the Occupational, Health and Safety Act, 2007
- Conformance to EMCA (Air quality regulations), 2014
- Compliance to EMCA (Noise and Vibrations pollution control), 2009
- Compliance to the national environmental Action Plan, 2009-2013
- The penal code chapter 63.

### **Climate Change Mitigation and adaptation**

Climate change poses a significant challenge to the water sector impacting both water quality and availability. To mitigate climate change, AWWDA advocates for environmental sustainability and maintaining the natural ecosystem services of the environment. AWWDA has also liaised with various stakeholders to ensure that all projects within its jurisdiction comply with environmental legislations, regulations and Acts. The following are some of the measures taken by the Agency to mitigate climate change:

- I. Projects such as the Rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency by reducing the amount of GHG emission into the atmosphere. Efforts are also being directed towards exploring the possibility of trapping methane gas generated from the sewerage treatment plants for energy use.
- II. Oloitoktok Water Supply project is another project that aims at mitigating climate change by utilizing solar energy in its day-to-day operations, therefore complying with the renewable energy Act, 2019.
- III. AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.
- IV. Water conservation through the use of water storage tanks- The organization has donated plenty of water tanks to community projects and schools.
- V. Waste water reuse and recycling-This involves treating of waste water and directing it to rivers. Community members are able to use the water for various purposes such as irrigation.
- VI. Flood management- Projects such as NCT have been constructed to collect flood water. Therefore increasing the availability and quantity of clean drinking water.
- VII. Tree planting- The agency has carried out various tree planting exercises as a climate change adaption measure to act as carbon sinks.

## Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)

### Reports and Financial Statements

For the year ending June 30, 2023

#### Promoting Environmental protection and conservation through partnerships with stakeholders

Kenya has experienced prolonged droughts and as a result, livestock, nature and biodiversity loss has been witnessed to a higher magnitude as compared to other decades. In response to this, the government has initiated a national tree planting and restoration campaign to raise the forest cover by 2032.

AWWDA in association with other stakeholders such as County governments, community members, WRA, NEMA, WRUA, NGOs, private sector, local administrations etc have teamed up to carry out afforestation activities within its area of jurisdiction.

The following are the tree planting exercises carried out within the FY 2022-2023.

- I. Karimenu II Dam Phase I, II & III Tree Planting Drive conducted at the project site on June 2022, 2<sup>nd</sup> December 2022 and 28<sup>th</sup> April 2023
- II. Restoration of Sasumua Water Catchment Tree Planting Campaign
- III. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted at Lamu County on 25<sup>th</sup> April 2023
- IV. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted in Nakuru, Itare Dam Water Catchment on 15<sup>th</sup> June 2023

**Table 1: Tree planting exercise FY 2022-2023**

S/NO	PROJECT	NO. OF TREES	AFFORESTATION AREA	STAKEHOLDERS
I.	Karimenu II Project	3600	Within the project. Borrow pits A, B and Quarry A Borrow pits C and Coffee factory Site	AWWDA, Stanbic Bank, Judiciary, Rodi Kenya, RUJWASCO and community.
II.	Sasumua Water Catchment	10,000	Catchment Area	AWWDA, Nairobi and Murang'a water, Central Rift Water Works Agency and community
III.	Lamu Sandunes in Lamu County	1,000	Catchment Area	AWWDA Ministry of water and Irrigation, Lamu County, Coast Water and Sewerage Company and Water Trust Fund and community
IV.	Nakuru, Itare Dam Water Catchment	1,000	Catchment area	AWWDA Ministry of Water and Irrigation, county government and water service providers and community

#### Social economic activities

##### Socio-economic impact assessment

It is the systematic analysis used during EIA to identify and evaluate the potential socio-economic and cultural impacts of a proposed development on the lives and circumstances of people, their families and their communities. If such potential impacts are significant and adverse, SEIA can assist the developer,

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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and other parties to the EIA process, find ways to reduce, remove or prevent these impacts from happening. It also contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure.

AWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities. This is also necessary for the project to earn its ‘social license to operate.

Enhancing benefits covers a range of issues, including: modifying project infrastructure to ensure it can also service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people’s assets and properties are affected, AWWDA ensures that there is prior and informed consent from the project affected persons; that there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other social sustainability activities include:

- i. Stakeholder engagement and public participation
- ii. Livelihood restoration
- iii. Community benefits/ projects
- iv. Economic development through initiatives such as ablution blocks that are handed over to CBOs

**Environmental monitoring and reporting**

AWWDA has established various mechanisms of tracking the performance of Environment, Health and Safety (EHS) for the various projects under implementation. Project implementation units are at the fore front of ensuring compliance to EHS. Monthly/quarterly and annual reports, site inspections, EHS monthly meetings, EHS committees and audits form part of EHS monitoring and reporting.

**i. EHS committees, inspections and audits**

The environment and social safeguard unit has established an EHS committee for each project whose main objective is to carry out routine inspections on specific sites with a view to check the contractor’s level of EHS compliancy. This includes conformity to Occupational Health and Safety guidelines and the Environmental Management and Coordination (Amendment) Act of 2015. The EHS committee also carries out periodic environmental audits which informs the contractor on his level of compliance and the improvements that need to be done in order to maintain a safe workplace and promote environmental and social sustainability of the project.

The EHS Committees also holds monthly EHS meeting on site. These meetings are informed by the cumulative inspections carried out during that month. The output of the meetings is a monthly EHS performance and monitoring report that enables AWWDA to keep track of the project’s EHS performance.

**ii. Environmental and social sustainability management systems**

AWWDA aims at managing the various environmental and social aspects associated with different projects under implementation by developing and implementing project specific management and monitoring plans.

**iii. Environmental and Social Management Plans**

An Environmental and Social Management Plan (ESMP) provides the remedial measures to be taken, the responsible person(s) for execution, and the monitoring activities to be undertaken during the construction, operational and decommissioning phases.

An indication of the timing for implementation and the cost involved is also provided. It is a practical and achievable plan of management to ensure that any environmental impacts during the design, planning and construction phase are minimized. All contractors working with AWWDA submits an ESMP for their respective projects to AWWDA for review. AWWDA ensures that the ESMP is implemented at each phase of the project in order to minimize harmful occurrences to the environment, community members and the employees.

**iv. Health and Safety Management Plans**

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HESMP) is prepared for each project being implemented by AWWDA. The objective of a HESMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

**v. Grievance redress mechanism**

AWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow for them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system.

The need for a GRM is obligated by the Land Act 2012 which recognizes the right of the affected persons to refer their disputes to the Land and Environment Court, while the Land Policy advocates for negotiation, mediation and arbitration to reduce the number of cases that end up in the court system and delayed justice. Similarly, project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project affected persons.

**vi. Gender Mainstreaming**

Gender mainstreaming involves the integration of gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and programmes, with a view to promoting equality between women and men, and combating discrimination.

AWWDA and its many projects have both male and female employees. The organization has identified the following measures to enhance gender mainstreaming

- Both male and female employees are involved in decision making
- Equal access to and utilisation of services
- Use of gender sensitive information
- Equal treatment is integrated for both men and women is practised

**vii. Prevention of gender-based violence**

AWWDA is integrating GBV trainings within the work sites to ensure that cases of sexual harassment and sexual exploitation and abuse within the work places are mitigated against. AWWDA has a GBV committee which is championing this together with a number of consultants who undertake sensitization

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

---

activities. This will ensure that cases of sexual harassment are reported and that women/men will not fear reporting such cases due to fear of victimization.

### **Conclusion**

AWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities within the organization's areas of operation. The Agency continuously works towards compliance with the national laws as well as international best practices relevant to the environmental and social safeguards to ensure sustainability.

### **4.3 Employee welfare**

The project management is by AWWDA staff and therefore the entity's employee welfare policies and guidelines applies as detailed below:

AWWDA has developed an approved Human Resource Instruments in which one of the guidelines is a comprehensive Human Resource Policy and Procedures Manual which is the primary document in the management of the Human Resources at the Agency. The document contains provisions for managing the entire scope of Human Resource Management and Development cycle.

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. In consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

Under the career development, AWWDA has a comprehensive career progression document that outlines employee succession plans including requirements for internal promotions and the external engagements where talents may be required within its establishment. This is an instrument that outlines job descriptions for each cadre of employee. Together with the annual departmental work plans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be up skilled, helped or otherwise redeployed and up scaled.

The Agency also recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

### **4.4 Market place practices-**

AWWDA has ensured that responsible competition practices within the Agency are practised by promoting ethical behaviour, transparency, and compliance with relevant laws and regulations i.e., PPADA ACT 2015 and its Attendant Regulations, Multilateral and Bilateral Rules and Procedures governing Procurement of Goods Works and Services, The Executive Orders and Circulars issued from time to time by the NT, and Regulator PPRA. To address issues like anti-corruption, responsible political

involvement, fair competition, and respect for competitors, the Agency has implemented several key measures:

**a) Responsible Supply chain and supplier relations-**

Client and Employer alliance is key towards delivery of projects, AWWDA has overtime honoured contracts and respected payment practices as a good business practice and treating suppliers responsibly as an essential aspect of building strong, sustainable, and ethical business relationships: Some of the practices include:

1. **Contract Negotiation:** The Agency engages in fair and transparent contract negotiations with its suppliers with a view of having a win-win position. Contracts clearly outline the terms and conditions, including the scope of work, pricing, delivery schedules, quality requirements, and any other relevant details that favour and are sustainable to both parties.
2. **Compliance with Contract Terms:** Once contracts are entered into, the Agency adheres to the agreed-upon terms. This includes fulfilling its obligations on timely payments by ensuring prompt and timely payment to suppliers, consultants and contractors to maintain a good relationship. Delays in payments can cause financial strain on these service providers, impacting their ability to implement projects efficiently.
3. **Clear Payment Policies:** In compliance with the Agency's service charter, there are clear payment policies that specify payment terms, methods, and timelines which are agreed upon during contract negotiations.
4. **Automated Payment Systems:** The agency has Implemented automated payment systems ERP that streamline the payment process, reducing the chances of errors and delays.
5. **Communication and Transparency:** Maintaining open and transparent communication with suppliers. If any payment delays are anticipated, the organization informs the suppliers in advance and works together to find a mutually acceptable solution.
6. **Early Payment Programs:** The agency offers early advance payments to suppliers who may benefit from faster access to funds upon the provision of an advance payment guarantee. YWPLD are major beneficiaries to this program as part of mainstreaming in public procurement.
7. **Supplier Diversity and Inclusion:** The agency practices supplier diversity and inclusion by providing opportunities to small and minority-owned businesses. (YAGPO Groups) by allocating 30% of its procurement budget annually.
8. **Supplier Performance Evaluation:** Regularly evaluating supplier performance to ensure that they meet the agreed-upon standards. Feedback on performance helps suppliers improve their processes, ultimately benefiting both parties.

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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9. Conflict Resolution Mechanism: The agency has in place a conflict resolution mechanism to address any disputes or disagreements with suppliers and contractors promptly and fairly.

10. By implementing these measures, the Agency has created a strong foundation for responsible competition practices, fostering trust among stakeholders and contributing to a sustainable and ethical business environment.

**b) Responsible ethical practices**

To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competition, the Agency has implemented several key measures:

1. Code of Conduct and Ethics: The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff in the institution and for Supply Chain Management staff the practising license issued by KISM explicitly prohibits corrupt practices, bribery, and unethical behaviour and ensures compliance by all stakeholders. The license also ensures that the supply chain staff are in good standing prior to renewal.

2. Compliance Reports: The Agency Prepares statutory compliance reports to the Various Regulatory Bodies i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts.

3. Anti-Corruption Policies: The Agency implements policies to prevent corruption, such as anti-bribery and anti-money laundering policies. These programs include training on anti-corruption measures and responsible political involvement which is a continuous exercise.

4. Fair Competition Practices: The Agency promotes fair competition and adheres to antitrust laws to prevent monopolistic behaviour, price-fixing, bid-rigging, or other practices that harm competition by issuing Requests for Quotations to multiple suppliers in its registered list. For large complex and large contracts, competition is promoted through open competitive bidding for both National and International bidders based on the threshold.

5. Internal Controls and Audits: The Agency implements internal controls and conducts regular Internal Audits, External Audits and ISO audits to monitor compliance with policies and identify any potential violations. Observations and recommendations from these audits are implemented to improve and ensure best practices within internal processes.

**c) Regulatory impact assessment**

AWWDA has ensured that responsible engagement with its stakeholders is practised within the Agency as well as with our external stakeholders by promoting transparency and compliance with relevant laws and regulations through various measures as follows:

1. **Supplier Appraisals and Sensitization Workshops:** The Agency conducts annual Sensitization workshops and due diligence on suppliers and business partners to ensure that they adhere to responsible business practices these safeguards both parties' interests as it keeps the public informed on the programs and projects undertaken by the Agency as well as the expectation of the potential suppliers in order to qualify for the available opportunities.

2. **Training and Awareness on the PPADA ACT 2015 and Ethics:** For the purpose of keeping staff, Board Members and Suppliers informed of the most recent ethical standards, compliance requirements and best practices, the Agency undertakes training and awareness on PPADA Act and ethical and integrity practices.

3. **Implementation of a Robust Service Charter -** that attends to the needs of both internal and external customers prudently to avert any delays in responses to queries and clarifications that may arise during the bidding period for procurement of goods, works and services by the Agency thus ensuring its stakeholders are properly informed at all times.

4. **Clear and Comprehensive Advertisements -** The Agency places its adverts for opportunities in the print media and its websites as well as the Public Procurement website ([www.tenders.go.ke](http://www.tenders.go.ke)) which are based on accurate and verifiable information about the projects being implemented by the Agency, this is in line with provisions of section 74 of the PPAD Act and its attendant regulations. The Adverts are also detailed and clearly indicate the contact details for purposes of clarification and the mode of submission of tenders by specifying whether the submission shall be done electronically or manually. Adverts relating to preference and reservations scheme state that such tenders are reserved specifically for small and micro enterprises and for disadvantaged groups registered with the National Treasury or regions, as appropriate. By publishing most opportunities this enhances competition and ensures value for money in the procurement processes.

5. **Disclosure of Awarded Contracts in the PPIP (Public Procurement Information Portal)**  
The Public Procurement Information Portal is an online platform provided by Public Procurement Regulatory Authority (PPRA) for publication of contract awards and tender notices by Procuring Entities. This enhances transparency and accountability to Stakeholders.

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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By following these principles and practices, AWWDA has built trust with their target audience, demonstrated ethical conduct, and contributed to a more responsible and sustainable marketing and advertising landscape through the advertisement of all tender opportunities either in the print media, website or its social media platforms hence safeguarding citizen and stakeholder's rights through regular and comprehensive engagements.

**4.5 Community Engagements**

During the 2022/2023FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction.

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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**5. Statement of Project Management responsibilities**

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer AWWDA and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer AWWDA and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended June 30, 2023, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer AWWDA and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

The Project financial statements were approved by the Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area on 31<sup>st</sup> August, 2023 and signed by them.



Chief Executive Officer  
Eng. Michael M. Thuita, MBS



Project Coordinator  
Eng. Joseph Kamau



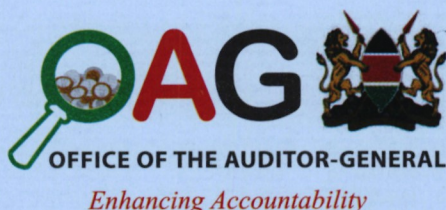
Manager Finance & Accounting  
CPA, Dr. Christine Mawia Julius  
ICPAK No: 6458

**Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)**  
**Reports and Financial Statements**  
**For the year ending June 30, 2023**

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## **REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO WATER AND SANITATION SERVICES IN PERI-URBAN AREA (LOAN NO. BMZ 2013.6543.6) FOR THE YEAR ENDED 30 JUNE, 2023 - ATHI WATER WORKS DEVELOPMENT AGENCY**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards, and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Support to Water and Sanitation Services in Peri-Urban Area Loan No. BMZ 2013.6543.6 set out on pages 1 to 19, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of

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*Report of the Auditor-General on Support to Water and Sanitation Services in Peri-Urban Area (Loan No. BMZ 2013.6543.6) for the year ended 30 June, 2023 - Athi Water Works Development Agency*

receipts and payments, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Support to Water and Sanitation Services in Peri-Urban Area Project as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan No. BMZ 2013.6543.6 dated 28 September, 2015, between the KfW Development Bank and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Support to Water and Sanitation Services in Peri-Urban Area Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.564,549,595 and Kshs.471,581,158 respectively, resulting to an underfunding of Kshs.92,968,437 or 16% of the budget. Similarly, the Project spent Kshs.422,078,996 against the budgeted amount of Kshs.564,549,595 resulting to an under absorption of Kshs.142,470,599 or 25% of the budget.

The underfunding and under expenditure affected the planned activities of the project and may have impacted negatively on service delivery to the public.

#### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, an issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issue or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## **Other Information**

The Program Management is responsible for the other information, which comprises Projects Information and Overall Performance Statement of Performance Against Projects Predetermined Objectives, Corporate Social Responsibility Statement/Sustainability Reporting and Statement of Project Management Responsibility.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance or conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by Financing Agreement Number (BMZ No. 2013.6543.6) dated 28 September, 2015 between the KfW, Frankfurt am main and the Republic of Kenya, I report based on my audit that;

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*Report of the Auditor-General on Support to Water and Sanitation Services in Peri-Urban Area (Loan No. BMZ 2013.6543.6) for the year ended 30 June, 2023 - Athi Water Works Development Agency*

- i. I have obtained all the information and explanation which, to the best of my knowledge and belief were necessary for the purpose of the audit;
- ii. In my opinion adequate accounting records have been kept by the Project Management, so far as appears from the examination of those records; and,
- iii. The Project's financial statements agree with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

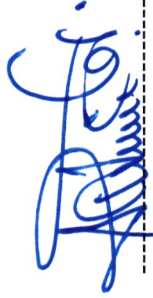
Nairobi

24 November, 2023

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

7. Statement of Receipts and Payments for the year ended 30th June 2023

DESCRIPTION	NOTES	2022/2023		TOTAL	2021/2022		TOTAL	CUMULATIVE TO DATE
		Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party		Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party		
RECEIPTS		KSH	KSH		KSH	KSH		KSH
Receipts from Government of Kenya	1	40,500,000		40,500,000	100,000,000		100,000,000	330,770,552
Proceeds from domestic and foreign grants	2		-	-	38,696,130		38,696,130	244,314,376
Loan from external development partners	3		357,031,563	357,031,563	516,950,458		516,950,458	2,065,548,750
<b>TOTAL RECEIPTS</b>		<b>40,500,000</b>	<b>357,031,563</b>	<b>397,531,563</b>	<b>100,000,000</b>	<b>555,646,588</b>	<b>655,646,588</b>	<b>2,640,633,678</b>
<b>Less: Payments/ Expenditure by Category:</b>								
(as per Legal Agreement classification)								
Purchase of Goods & Services	6	2,050		2,050	-		-	3,378,908
Acquisition of non-financial assets	8	65,045,384	357,031,563	422,076,946	59,200,806	555,646,588	614,847,394	2,572,752,608
Other grants and transfers	10		-	-	15,000,000	-	15,000,000	15,000,000
<b>TOTAL PAYMENTS</b>		<b>65,047,434</b>	<b>357,031,563</b>	<b>422,078,996</b>	<b>74,200,806</b>	<b>555,646,588</b>	<b>629,847,394</b>	<b>2,591,131,516</b>
<b>Surplus/Deficit</b>		<b>(24,547,434)</b>	<b>-</b>	<b>(24,547,434)</b>	<b>25,799,194</b>	<b>-</b>	<b>25,799,194</b>	<b>49,502,162</b>

  
 Chief Executive Officer

Eng. Michael M. Thuita, MBS

  
 Project Coordinator

Eng. Joseph Kamau



Manager Finance & Accounts  
 CPA, Dr. Christine Mawia Julius  
 ICPAK No: 6458

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

8. Statement of Financial Assets as at 30<sup>th</sup> June, 2023

FINANCIAL ASSETS	Note	2022/2023 KSH	2021/2022 KSH
<b>Cash and Cash equivalents</b>			
Bank balances	11.A	49,502,162	74,049,595
Cash balances	11.B	-	-
Cash equivalents	11.C	-	-
<b>Total Cash and Cash Equivalents</b>		<b>49,502,162</b>	<b>74,049,595</b>
Accounts Receivables	12	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>49,502,162</b>	<b>74,049,595</b>
Payables-Deposits and Retentions	13	-	-
<b>NET ASSETS</b>		<b>49,502,162</b>	<b>74,049,595</b>
<b>REPRESENTED BY:</b>			
Fund balance Brought Forward	14	74,049,595	48,250,401
Prior year adjustments	15	-	-
Surplus/Deficit for the year		(24,547,434)	25,799,194
<b>Net financial position</b>		<b>49,502,162</b>	<b>74,049,595</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 31<sup>st</sup> August, 2023 and signed by:



Chief Executive Officer  
 Eng. Michael M. Thuita, MBS



Project Coordinator  
 Eng. Joseph Kamau



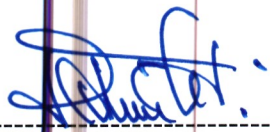
Manager, Finance & Accounts  
 CPA, Dr. Christine Mawia Julius  
 ICPAK No: 6458

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

9. Statement of Cashflow for the year ended 30<sup>th</sup> June 2023

	Note	2022/2023 KSH	2021/2022 KSH
<b>Receipts for operating income</b>			
Transfer from Government entities	1	40,500,000	100,000,000
Proceeds from domestic and foreign grants	2	0	38,696,130
Miscellaneous receipts	4	-	-
		<b>40,500,000</b>	<b>138,696,130</b>
<b>Payments for operating expenses</b>			
Compensation of employees	5	0	0
Purchase of goods and Services	6	2,050	0
Social Security Benefit	7	0	0
Transfer to government entities	9	0	0
Other grants and transfers	10	0	15,000,000
<b>Net cash flow from operating activities</b>		<b>40,497,950</b>	<b>123,696,130</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	-422,076,946	-614,847,394
<b>Net cash flows from Investing Activities</b>		<b>-422,076,946</b>	<b>-614,847,394</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	357,031,563	516,950,458
<b>Net cash flow from financing activities</b>		<b>357,031,563</b>	<b>516,950,458</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>-24,547,434</b>	<b>25,799,194</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	14	<b>74,049,595</b>	<b>48,250,401</b>
<b>Cash and cash equivalent at END of the year</b>		<b>49,502,162</b>	<b>74,049,595</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 31<sup>st</sup> August, 2023 and signed by:



Chief Executive Officer  
 Eng. Michael M. Thuita, MBS



Project Coordinator  
 Eng. Joseph Kamau



Manager Finance & Accounts  
 CPA, Dr. Christine Mawia Julius  
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Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

10. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	54,000,000	-13,500,000	40,500,000	40,500,000	0	100%
Proceeds from borrowings	450,000,000	0	450,000,000	357,031,563	92,968,437	79%
Fund Balance B/F		74,049,595	74,049,595	74,049,595	0	100%
<b>Total Receipts</b>	<b>504,000,000</b>	<b>60,549,595</b>	<b>564,549,595</b>	<b>471,581,158</b>	<b>92,968,437</b>	
<b>Payments</b>						
Acquisition of non-financial assets	503,997,900	60,549,595	564,547,495	422,076,946	142,470,549	75%
Purchases of Goods & Services	2,100	0	2,100	2,050	50	98%
<b>Total Payments</b>	<b>504,000,000</b>	<b>60,549,595</b>	<b>564,549,595</b>	<b>422,078,996</b>	<b>142,470,599</b>	<b>75%</b>
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,502,162</b>	<b>-49,502,162</b>	

Note: The budget utilization/Performance differences are explained in **Annex 2** of the financial statements.



Chief Executive Officer  
 Eng. Michael M. Thuita, MBS



Project Coordinator  
 Eng. Joseph Kamau



Manager, Finance & Accounts  
 CPA, Dr. Christine Mawia Julius  
 ICPAK No: 6458

## 11. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### a) **Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

### b) **Reporting entity**

The financial statements are for the Support to Water and Sanitation Services in Peri-Urban Area Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

### c) **Reporting currency**

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

### d) **Recognition of receipts**

The project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

#### i) **Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

#### ii) **External Assistance**

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

**Significant Accounting Policies (Continued)**

**iii) Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

**iv) Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**v) Proceeds from borrowing**

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

**vi) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

**i) Compensation to employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**Significant Accounting Policies (Continued)**

**ii) Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

**iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

**iv) Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**Significant Accounting Policies (Continued)**

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**h) Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

**i) Imprests and Advances**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**j) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

**Significant Accounting Policies (Continued)**

- (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Annex 6** of this financial statement is a register of the contingent liabilities in the year.

**k) Contingent Assets**

The entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**l) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**Significant Accounting Policies (Continued)**

**m) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

**n) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. And are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, **Kshs 357,031,563** were received in form of direct payments from third parties.

**o) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**Significant Accounting Policies (Continued)**

**p) Comparative figures**

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

**q) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note xx of these financial statements*

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**12. Notes to the Financial Statements**

**1. Transfers from Government entities**

These represent counterpart funding and other receipts from government as follows:

	2022/2023	2021/2022	CUMULATIVE TO DATE
	Kshs		Kshs
<i>Counterpart funding through Ministry of Water, Sanitation and Irrigation</i>			
Counterpart funding Quarter 1	13,500,000	25,000,000	88,500,000
Counterpart funding Quarter 2		25,000,000	50,000,000
Counterpart funding Quarter 3		25,000,000	50,000,000
Counterpart funding Quarter 4	27,000,000	25,000,000	142,270,552
<b>Total</b>	<b>40,500,000</b>	<b>100,000,000</b>	<b>330,770,552</b>

**2. Proceeds from Domestic and Foreign Grants**

During the financial period to 30<sup>th</sup> June 2023, no grants were received from donors as detailed in the table below.

Name of Donor	2022/2023						2021/2022		Cumulative to date
	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grant Received in kind	Total amount	Total amount	Total amount	
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from KfW-EU	Various	-	-	-	-	-	-	38,696,130	244,314,376
<b>TOTAL</b>		-	-	-	-	-	-	<b>38,696,130</b>	<b>244,314,376</b>

**3. Loan from External Development Partners**

During the financial period to 30<sup>th</sup> June 2023, we received funding from development partner in form of loans negotiated by the National Treasury as detailed in the table below

Name of Donor	2022/2023						2021/2022		Cumulative to date
	Date received	Amount received in donor currency	Loan received in cash	Loan received direct payment*	Loan received in kind	Total amount	Total amount	Total amount	
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants received from KfW-EU	Various	2,400,386	-	357,031,563	-	-	516,950,458	516,950,458	2,065,548,750
<b>TOTAL</b>		<b>2,400,386</b>	-	<b>357,031,563</b>	-	-	<b>516,950,458</b>	<b>516,950,458</b>	<b>2,065,548,750</b>

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**4. Miscellaneous Receipts**

There were no miscellaneous receipts during the year

**5. Compensation to Employees**

There was no compensation of Employee payment made through the project during the year.

**6. Purchase of Goods and Services**

SCOPE OF WORKS	2022/2023			2021/2022	CUMULATIVE TO DATE
	Payment Controlled by the Entity	Payment Controlled by the Third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Advertising/Bank Charges	2,050	-	2,050	-	3,378,908
<b>TOTAL</b>	<b>2,050</b>	<b>-</b>	<b>2,050</b>	<b>-</b>	<b>3,378,908</b>

**7. Social Security Benefit**

The project didn't make payment related to social security benefits during the year

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

8. Acquisition of Non-Financial Assets

SCOPE OF WORKS	2022/2023			2021/2022	CUMULATIVE TO DATE
	Payment controlled by the entity KSH	Payment controlled by the third party KSH	Total payment KSH		
Construction for Greater Githurai/Ruiru-Juja Water Supply Project-Lot 1	37,701,455	123,795,393	161,496,848	227,505,018	872,099,351
Construction for Kiserian-Ongata Rongai Water Supply project-Lot 2	14,941,485	134,473,360	149,414,844	237,891,955	929,098,819
The consultant for the work supervision	7,204,161	55,290,538	62,494,699	95,019,672	449,458,593
Consultant for Support to Technical Implementation-GFA	-	-	-	40,215,543	259,210,084
Supply of water meters -Danco Capital Ltd	5,198,283	43,472,272	48,670,555	14,215,207	62,885,761
<b>TOTAL</b>	<b>65,045,384</b>	<b>357,031,563</b>	<b>422,076,946</b>	<b>614,847,394</b>	<b>2,572,752,608</b>

{N.B the civil works plus all the related consultancies are considered assets}

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**9. Transfers to Other Government Entities**

Under this project we did not have any transfers to other government agencies during the financial year

**10. Other Grants and Transfer and Payments**

SCOPE OF WORKS	2022/2023			2021/2022	CUMULATIVE TO DATE
	Payment Controlled by the Entity	Payment Controlled by the Third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer to Nairobi Water Distribution Network project	0	-	0	15,000,000	15,000,000
<b>TOTAL</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>15,000,000</b>	<b>15,000,000</b>

**11. Cash and Cash equivalents**

DESCRIPTION	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 8.13A)	49,502,162	74,049,595
Cash in Hand (Note 8.13B)		
Cash equivalents (short term deposits) (Note 8.13C)		
<b>Total</b>	<b>49,502,162</b>	<b>74,049,595</b>

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's development fund account and Project Account at Cooperative bank Ridgeways branch. To enhance accountability, a fund accountability is maintained for each project whose funds are managed through the development account.

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)

Reports and Financial Statements

For the year ending June 30, 2023

**11 A. Bank Account**

**Project Bank Accounts**

	2022/2023	2021/2022
	Kshs	Kshs
<b><u>Foreign Currency Accounts</u></b>		
N/A	-	-
<b>Total Foreign Currency balances</b>	=	=
<b><u>Local Currency Accounts</u></b>		
Co-operative Bank of Kenya (A/c No 01141084618501)	22,504,212	74,049,595
Co-operative Bank of Kenya (A/c No 01141084618502)	26,997,950	
<b>Total local currency balances</b>	<b>49,502,162</b>	<b>74,049,595</b>
<b>Total bank account balances</b>	<b>49,502,162</b>	<b>74,049,595</b>

**11 B Cash in hand**

The project did not have any cash in hand as at 30<sup>th</sup> June 2023

**11C Cash equivalents (short term deposits)**

The project didn't have any short-term deposits as at 30<sup>th</sup> June 2023

**12. Imprests and Advances**

The project did not have any Accounts Receivable as at 30<sup>th</sup> June 2023

**13. Deposits and Retention monies**

The project did not have any Accounts Payable as at 30<sup>th</sup> June 2023

**14. Fund Balance Brought Forward**

DESCRIPTION	2022/2023 KSH	2021/2022 KSH
Bank Accounts	74,049,595	48,205,401
Cash in Hand	--	--
Cash Equivalent (short-term deposits)	-	-
Outstanding imp rest and advances	-	-
<b>Total</b>	<b>74,049,595</b>	<b>48,250,401</b>

**15. Prior Year Adjustment**

There were no prior year Adjustments during the year ending 30<sup>th</sup> June 2023

**16. Change in Imprests and Advances**

No change in imprests and advances

**17. Change in Accounts Deposits and Retentions**

No change in accounts deposits and retentions

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**Other Important Disclosures**

**1. Pending Accounts Payables**

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
DESCRIPTION	Kshs	Kshs	Kshs	Kshs
Acquisition of non-financial assets	114,809,656	434,265,495	422,076,946	126,998,205
<b>Total</b>		<b>434,265,495</b>	<b>422,076,946</b>	<b>126,998,205</b>

**2. Pending Staff payables**

There were no pending staff payables under the project

**3. Other Pending payables**

There were no other pending payables under the project

**4. External Assistance**

There were no External Assistance received under the project

**5. Payments By Third party on Behalf of The Project**

There were no payments by third party on behalf of the project.

**6. Related Party Disclosures**

RELATED PARTY DISCLOSURES	2022/2023	2021/2022
	Kshs	Kshs
Compensation to Key Management	0	0
Transfer to other government entities	0	0
Transfer from the Ministry/departments	40,500,000	100,000,000
<b>Total</b>	<b>40,500,000</b>	<b>100,000,000</b>

**7. Contingent Liabilities**

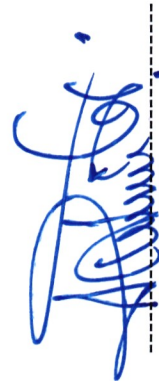
There were no Contingent liabilities under the project

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

13 Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p><b>Other matters-</b></p> <p><b>Budgetary Control and Performance</b></p>	<p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,048,250,401 and Kshs.703,896,989 respectively, resulting to underfunding of Kshs.344,353,412 or 33 % of the budget. Similarly, the project spent Kshs.629,847,394 against the budgeted amount of Kshs.1,048,250,401 resulting in under expenditure of Kshs.418,403,007 representing 40% of the estimated expenditure.</p> <p>The underfunding and under expenditure affect the implementation of planned activities and may impact negatively on the expected delivery of the project to the public.</p>	<p>The method of payment under the project on the donor component is through direct payment method, hence the disbursement of kshs 703,896,989 for the Donor is equivalent to the certified amount of work done hence no delays in project financing.</p> <p>The underutilization of the allocated budget to a tune of Kshs.344,353,412 was occasioned by the delay in supply of imported water pipes for the Lot 1 project which was caused by covid restrictions. This delayed the implementation of works associated with pipe laying hence the budget under-utilization.</p>	Resolved	Immediately

  
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 Chief Executive Officer

Eng. Michael M. Thuita, MBS

  
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Project Coordinator  
 Eng. Joseph Kamau

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**Annex 2: Variance Explanations –Comparative Budget and Actual amounts for FY 2022-2023**

Receipts/Payments Item	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization difference Kshs	% of utilization	Explanations of variances
	a	b	c=a-b	d=b/a%	
<b>Receipts</b>					
Transfer from Government entities	40,500,000	40,500,000	0	100%	
Proceeds from borrowings	450,000,000	357,031,563	92,968,437	79%	The variance was meant for cater for IPC No.12 that the IFMIS system was closed before the payment was made.
Fund Balance B/F	74,049,595	74,049,595	0	100%	
<b>Total Receipts</b>	<b>564,549,595</b>	<b>471,581,158</b>	<b>92,968,437</b>		
<b>Payments</b>					
Acquisition of non-financial assets	564,547,495	422,076,946	142,470,549	75%	The variance was meant for cater for IPC No.12 that the IFMIS system was closed before the payment was made.
Purchases of Goods & Services	2,100	2,050	50	98%	
<b>Total Payments</b>	<b>564,549,595</b>	<b>422,078,996</b>	<b>142,470,599</b>		

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**Annex 3- Reconciliation of Inter-Entity Transfers**

<b>PROJECT NAME:</b>				
<b>Break down of Transfers from the State Department of Water</b>				
<b>a.</b>	<b>Government Counterpart Funding</b>			
		<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Quarter 1	<u>Date</u>	13,500,000	FY2022/2023
	Quarter 2,3&4		27,000,000	FY2022/2023
	<b>Total</b>		<b>40,500,000</b>	
<b>b.</b>	<b>Direct Payments</b>			
		<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Various Dates	<u>Date</u>	<b>357,031,563</b>	
<b>c.</b>	<b>Others</b>			
		<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	<u>Date</u>	-	
	<b>Total</b>		-	
	<b>TOTAL(a+b+c)</b>		<b>397,531,563</b>	

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

Annex 4a-Analysis of Pending Bills

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 30 <sup>th</sup> June, 2023	Outstanding Balance 30 <sup>th</sup> June, 2021	Comments
	a	b	c	d=a-c	d=a-c	
<b>Purchase Services</b>						
1. Advertisments	3,376,858	2018/2019	3,376,858			
<b>Sub Total</b>	<b>3,376,858</b>		<b>3,376,858</b>			
<b>Acquisition of non-financial assets</b>						The original Amounts reflects the actual certified amounts
2. Posch & Partner GmbH in association with Norken	486,038,345	30/11/2016	449,458,593	36,579,752	0	
3. GFA Consulting Group GmbH	259,210,084	07/08/2017	259,210,084	0	0	
4. Toddy Civil Engineering Ltd-Lot 1	872,264,074	19/07/2019	872,099,351	164,722	62,826,828	
5. China Jiangxi International Economic-Lot 2	1,019,352,549	19/07/2019	929,098,819	90,253,730	51,982,828	
6. Danco Capital Ltd-Lot 3	62,885,761	14/10/2021	62,885,761	0	0	
<b>Sub-Total</b>	<b>2,699,750,813</b>		<b>2,572,752,608</b>	<b>126,998,204</b>	<b>114,809,656</b>	
<b>Grand Total</b>	<b>2,703,129,721</b>		<b>2,576,131,516</b>	<b>126,998,204</b>	<b>114,809,656</b>	

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)  
 Reports and Financial Statements  
 For the year ending June 30, 2023

**Annex 5 – Summary of Fixed Asset Register**

Asset Class-Work in Progress	Opening Cost (K.shs)2022/2023	Purchase /Additions in the year (Kshs) 2022/23	Disposal in the year (Kshs) 2022/23	Transfers in/(out)Kshs 2022/23	Closing Cost (K.shs) 2022/23
	a	b	c	d	e=a+b-©+(-)d
1. Posch & Partner GmbH in association with Norken	386,963,894	62,494,699			449,458,593
2.GFA Consulting Group GmbH	259,210,084	-			259,210,084
3.Toddy Civil Engineering Ltd-Lot 1	710,602,503	161,496,848			872,099,351
4.China Jiangxi International Economic-Lot 2	779,683,974	149,414,844			929,098,819
5.Danco Capital Ltd-Lot 3	14,215,207	48,670,555			62,885,761
<b>TOTAL</b>	<b>2,150,675,662</b>	<b>422,076,946</b>	-	-	<b>2,572,752,608</b>

